

## Message Text

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ACTION ARA-06

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R 231645Z JUL 76

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 8536

C O N F I D E N T I A L PANAMA 5142

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E.O. 11652: GDS

TAGS: PFOR, PN, PQ, US

SUBJECT: HIGHLIGHTS OF 427TH PRC MEETING, JULY 21

1. CAMPAIGN IN CRITICA AND IMPLICATIONS FOR PANAMA-US RELATIONS: IN INFORMAL DISCUSSION, THE STORIES AND EDITORIALS APPEARING IN THE NEWSPAPER CRITICA OVER THE PAST TWO WEEKS WHICH ATTACKED THE ZONE AND THE AMBASSADOR WERE CHARACTERIZED AS AN IRRESPONSIBLE BUT DELIBERATE CAMPAIGN, PROBABLY INSPRIED BY GOP. AMBASSADOR ATTRIBUTED IT TO EFFORT TO DISTRACT PANAMANIAN FROM INTERNAL PROBLEMS (THE DEPRESSED ECONOMY, STUDENT UNREST, DISCONTENT IN THE PRIVATE SECTOR). GOVERNOR AGREED WITH AMBASSADOR BUT POINTED OUT THAT ZONITES TEND TO BELIEVE STORIES IN CRITICA OR OTHER GOP ACCUSATIONS UNLESS SPECIFICALLY REBUTTED BY RESPONSIBLE US AUTHORITIES IN ZONE AND PANAMA. THE GOVERNOR POINTED OUT THAT THE PREVAILING MOOD IN THE ZONE IS FEAR AND THAT THIS FEAR IS COMPOUNDED BY INACCURATE REPORTS LIKE THOSE IN CRITICA WHICH CAST DOUBT ON THE JUDGMENT OF RESPONSIBLE USG OFFICIALS. TO ATTEMPT TO ALLEVIATE CONCERNS IN THE ZONE, THE AMBASSADOR AGREED TO CONSIDER WRITING A FACTUAL LETTER TO THE GOVERNOR WHICH SETS THE RECORD STRAIGHT ON THE VARIOUS CRITICA ALLEGATIONS WITHOUT REFERRING TO THE NEWSPAPER.

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IT WAS ALSO AGREED THAT IN THE FUTURE, FOR THOSE

FLAGRANTLY FALSE ACCUSATIONS WHICH COULD NEGATIVELY AFFECT US AND PANAMANIAN CONFIDENCE IN RESPONSIBLE US ACTION, THERE SHOULD BE PROMPT FACTUAL LOCAL RESPONSES BY THE USG AGENCIES INVOLVED. THE AMBASSADOR WARNED AGAINST OVER-REACTION AND ASKED FOR CLOSE COOPERATION IN DEALING WITH EACH SITUATION AS IT ARISES.

2. WATER RATES: GOVERNOR REPORTED THAT THE FOURTH MEETING OF TECHNICAL COMMISSION MET WITHOUT EMBASSY OR AID PARTICIPATION. HE REPORTED IDAAN WAS NOW SATISFIED WITH PANCANAL COST DATA ON OPERATIONS AND PERSONNEL BUT HAD REQUESTED FURTHER CLAIRIFICATION ON DEPRECIATION SCHEDULES. HE IS CYNICAL ABOUT OUTCOME OF COMMISSION, EXPECTING THAT GOP WILL MAKE COUNTEROFFER FOR PAYMENT OF WATER RATES AT LOWER THAN THAT SET BY PANAMA CANAL AND PAYABLE FROM DATE OF AGREEMENT FORWARD; GOVERNOR SAID THESE MATTERS NOT NEGOTIABLE. GOVERNOR ALSO REITERATED HIS CONCERN ABOUT THE INCREASING DELAYS BY THE GOP IN PAYING ITS WATER BILL.

3. PANAMA CANAL BOARD OF DIRECTORS MEETING: GOVERNOR REPORTED THAT PANCANAL BOARD MET IN SAN FRANCISCO AND APPROVED HIS BUDGET SUBMISSION WHICH NOW GOES TO OMB. HE DISCUSSED THE IMPACT OF THE LEGISLATION WHICH PASSED THE HOUSE AND IS NOW UNDER CONSIDERATION BY THE SENATE FOR REMOVING REQUIREMENT THAT PANCANAL COMPANY DEPRECIATE ASSETS. GOVERNOR POINTED OUT THAT ENACTMENT OF BILL WOULD REQUIRE USG SUBSIDY OF PANCANAL CAPITAL IMPROVEMENT PROGRAM AND WOULD NOT OBLVIATE NEED FOR A RATE INCREASE.

4. FORTUNA III: GOVERNOR EXPRESSED CONCERN ABOUT THE FORTUNA III INCIDENT AND ESPECIALLY ITS EFFECT ON HIS RELATIONS WITH GABRIEL LEWIS. THE GOVERNOR BELIEVES THAT THE SHIP WENT TO PUNTA ARENAS, COSTA RICA, TO UNLOAD ITS CATCH, BUT HE HAS NO FIRM INFORMATION. HE WARNED THAT THE BOAT WILL BE SEIZED ON ITS RETURN TO CANAL ZONE WATERS.  
JORDEN

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## Message Attributes

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